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INITIATIVE 725

I, Ralph Munro, Secretary of State of the State of Washington and custodian of its seal, hereby certify that, according to the records on file in my office, the attached copy of Initiative Measure No. 725 to the People is a true and correct copy as it was received by this office.

1 AN ACT Relating to health care financing; amending RCW 41.05.120,
2 41.05.130, 66.24.290, 82.24.020, 82.26.020, 82.08.150, 43.79.480, and
3 41.05.220; repealing RCW 82.04.260, 48.14.0201, and 43.72.900; adding
4 new sections to chapter 82.02 RCW; adding a new chapter to Title 43
5 RCW; creating new sections; making an appropriation; providing
6 effective dates; and providing an expiration date.

7 BE IT ENACTED BY THE PEOPLE OF THE STATE OF WASHINGTON:

8 NEW SECTION. **Sec. 1.** (1) There is a crisis in health care
9 accessibility, affordability, and choice in Washington state. Health
10 care through insurance companies has failed to control costs, increase
11 access, or preserve choice. More than six hundred thousand Washington
12 residents have no health care coverage. Individual plans are
13 unavailable in most counties. Many physician practices, emergency
14 departments, and trauma centers, especially in rural areas, are closing
15 or operating at a loss. Employers, faced with fewer choices and more
16 expensive premiums, are reducing employment-based health care coverage.
17 Simplifying health care financing and eliminating administrative waste
18 inherent in multiple insurance plans can create sufficient savings to

1 extend health care coverage to all residents and enhance fairness in
2 the system.

3 (2) The people of the state of Washington declare their intent to:

4 (a) Provide fair, simple, and accountable health care financing for all
5 Washington residents using a single health care financing entity called
6 the Washington health security trust; (b) cover a comprehensive package
7 of effective and necessary personal health services; (c) make health
8 care coverage independent from employment; (d) eliminate excessive
9 administrative costs resulting from the current, fragmented system of
10 multiple insurers; (e) generate savings sufficient to ensure coverage
11 for all Washington residents; (f) integrate current publicly sponsored
12 health programs into the health security trust; (g) preserve choice of
13 providers for Washington residents; (h) protect patient rights; (i)
14 keep clinical decisions in the hands of health professionals and
15 patients, rather than administrative personnel; (j) promote health care
16 quality; and (k) control excessive health care costs.

17 NEW SECTION. **Sec. 2.** The definitions in this section apply
18 throughout this act unless the context clearly requires otherwise.

19 (1) "Board" means the board of trustees of the Washington health
20 security trust.

21 (2) "Capitation" means a mechanism of payment in which a provider
22 is paid a negotiated monthly sum and is obliged to provide all covered
23 services for specific patients who enroll with that provider.

24 (3) "Case rate" means a method of payment based on diagnosis. Case
25 rate assumes that a given set of services shall be provided and the
26 rate is based on the total compensation for those services.

27 (4) "Chair" means the presiding officer of the board.

28 (5) "Employer" means any person, partnership, corporation,
29 association, joint venture, or public or private entity operating a
30 business in Washington state and employing for wages, salary, or other
31 compensation, one or more residents. "Employer" does not include self-
32 employed persons with respect to self-employment earnings.

33 (6) "Federal poverty level" means the federal poverty guidelines
34 determined annually by the United States department of health and human
35 services or its successor agency.

36 (7) "Group practice" or "group" means a group of practitioners
37 voluntarily joined into an organization for the purpose of sharing
38 administrative costs, negotiating with payers and controlling the

1 circumstances of their medical practice, and, in some cases, sharing
2 revenues. The group may be of a single specialty or include more than
3 one specialty.

4 (8) "Health care facility" or "facility" includes any of the
5 following appropriately accredited entities: Hospices licensed
6 pursuant to chapter 70.127 RCW; hospitals licensed pursuant to chapter
7 70.41 RCW; rural health care facilities as defined in RCW 70.175.020;
8 psychiatric hospitals licensed pursuant to chapter 71.12 RCW; nursing
9 homes licensed pursuant to chapter 18.51 RCW; community mental health
10 centers licensed pursuant to chapter 71.05 or 71.24 RCW; kidney disease
11 treatment centers licensed pursuant to chapter 70.41 RCW; ambulatory
12 diagnostic, treatment, or surgical facilities licensed pursuant to
13 chapter 70.41 RCW; approved drug and alcohol treatment facilities
14 certified by the department of social and health services; home health
15 agencies licensed pursuant to chapter 70.127 RCW; and such facilities
16 if owned and operated by a political subdivision or instrumentality of
17 the state and such other facilities as required by federal law and
18 implementing regulations.

19 (9) "Health care practitioner" or "practitioner" means a person
20 licensed or certified under Title 18 RCW or chapter 70.127 RCW, and
21 covered by the all categories of provider law, RCW 48.43.045, providing
22 health care services in Washington state consistent with their lawful
23 scope of practice.

24 (10) "Health care provider" or "provider" means any health care
25 facility, or health care practitioner or group practice licensed or
26 certified under Washington state law to provide health or health-
27 related services in Washington state.

28 (11) "Income" means a resident's adjusted gross income for federal
29 income tax purposes.

30 (12) "Long-term care" means institutional, residential, outpatient,
31 or community-based services that meet the individual needs of persons
32 of all ages who are limited in their functional capacities or have
33 disabilities and require assistance with performing two or more
34 activities of daily living for an extended or indefinite period of
35 time. These services include case management, protective supervision,
36 in-home care, nursing services, convalescent, custodial, chronic, and
37 terminally ill care.

38 (13) "Payroll" means any amount paid to Washington state residents
39 and defined as "wages" under section 3121 of the internal revenue code.

(14) "Resident" means an individual who presents evidence of established, permanent residency in the state of Washington, who did not enter the state for the primary purpose of obtaining health services. "Resident" also includes people and their accompanying family members who are residing in the state for the purpose of engaging in employment for at least one month. The confinement of a person in a nursing home, hospital, or other medical institution in the state may not by itself be sufficient to qualify such person as a resident.

(15) "Trust" means the Washington health security trust created in section 3 of this act.

NEW SECTION. **Sec. 3.** This act creates an agency of state government to be known as the Washington health security trust to provide coverage for a set of health care services for all residents.

NEW SECTION. **Sec. 4.** (1) The trust shall be governed by a board of trustees. The board consists of seven trustees selected for expertise in health care financing and delivery, and representing Washington citizens, business, labor, and health professions. The trustees shall be appointed by the governor, subject to confirmation by the senate. The governor shall appoint the initial board by March 31, 2001. Of the initial trustees, three shall be appointed to terms of two years, two shall be appointed to terms of four years, and two shall be appointed to terms of six years. Thereafter, trustees shall be appointed to six-year terms, except that the governor shall appoint a trustee to serve the remaining term for a vacancy from any cause. The board shall convene no later than June 1, 2001.

(2) Members of the board shall have no pecuniary interest in any business subject to regulation by the board. Members of the board are subject to chapter 42.52 RCW.

(3) Members of the board shall occupy their positions on a full-time basis and are exempt from the provisions of chapter 41.06 RCW. The board and its professional staff are subject to the public disclosure provisions of chapter 42.17 RCW. Trustees shall be paid a salary to be fixed by the governor in accordance with RCW 43.03.040. Four trustees constitute a quorum for the conduct of business.

(4) One member of the board shall be designated by the governor as chair, subject to confirmation by a majority of the other trustees.

1 The chair shall serve in this capacity, subject to continuing
2 confidence of a majority of the board.

3 (5) If convinced by a preponderance of the evidence in a due
4 process hearing that a trustee has failed to perform required duties or
5 has a conflict with the public interest, the governor may remove that
6 trustee and appoint another to serve the unexpired term.

7 NEW SECTION. **Sec. 5.** (1) Subject to the approval of the board,
8 the chair shall appoint two standing committees. (a) A citizens'
9 advisory committee shall have balanced representation from health
10 experts, business, labor, and consumers. The citizens' advisory
11 committee shall hold public hearings on priorities for inclusion in the
12 set of health services, survey public satisfaction, investigate
13 complaints, and identify and report on health care access and other
14 priority issues for residents. (b) A technical advisory committee
15 shall have members with broad experience in and knowledge of health
16 care delivery, research, and policy, as well as public and private
17 funding of health care services. The technical advisory committee
18 shall make recommendations to the board on technical issues related to
19 covered benefits, quality assurance, utilization, and other issues as
20 requested by the board.

21 (2) The board shall consult with the citizens' advisory committee
22 at least quarterly, receive its reports and recommendations, and then
23 report to the governor and legislature at least annually on board
24 actions in response to citizens' advisory committee input.

25 (3) Subject to approval of the board, the chair may appoint other
26 committees and task forces as needed.

27 (4) Members of committees shall serve without compensation for
28 their services but shall be reimbursed for their expenses while
29 attending meetings on behalf of the board in accordance with RCW
30 43.03.050 and 43.03.060.

31 NEW SECTION. **Sec. 6.** The chair is the presiding officer of the
32 board and has the following powers and duties:

33 (1) Appoint an executive director with the approval of the board.
34 The executive director, with approval of the board, shall employ staff
35 in accordance with chapter 41.06 RCW necessary to execute the policies
36 and decisions of the board;

(2) Enter into contracts on behalf of the board. All contracts are subject to review and binding legal opinions by the attorney general's office if disputed in a due process hearing by a party to such a contract;

(3) Subject to explicit approval of a majority of the board, accept and expend gifts, donations, grants, and other funds received by the board; and

(4) Delegate administrative functions of the board to the executive director and staff of the trust as necessary to ensure efficient administration.

NEW SECTION. **Sec. 7.** (1) The board shall: (a) With advice from the citizens' advisory committee and the technical advisory committee, establish and keep current a set of health services to be financed by the trust, as provided in section 11 of this act; (b) seek all necessary waivers so that current federal and state payments for health services to residents will be paid directly to the trust; (c) make rules, policies, guidelines, and timetables needed for the trust to finance the set of health services for all residents starting May 15, 2002; (d) develop and oversee the operation of a state-wide, anonymous health care data system to use for quality assurance and cost containment; (e) with advice from the technical advisory committee, develop health care practice guidelines and quality standards; (f) develop policies to protect confidentiality of patient records throughout the health care delivery system and the claims payment system; (g) make eligibility rules, including eligibility for residents temporarily out of state; (h) develop and oversee operation of a streamlined uniform claims processing system that must pay providers in a timely manner for covered health services; (i) develop appeals procedures for residents and providers; (j) integrate functions with other state agencies; (k) work with the citizens' advisory committee and the technical advisory committee to balance benefits and provider payments with revenues, and develop effective measures to control excessive and unnecessary health care costs; (l) address nonfinancial barriers to health care access; (m) monitor population migration into Washington state to detect any trends related to availability of universal health care coverage; and (n) develop an annual budget for the trust.

(2) To the extent that the exercise of any of the powers and duties specified in this section may be inconsistent with the powers and duties of other state agencies, offices, or commissions, the authority of the board shall supersede that of such other state agency, office, or commission.

NEW SECTION. **Sec. 8.** (1) Beginning May 15, 2002, the board shall adopt, in consultation with the office of financial management, an annual Washington health security trust budget. Except by legislative approval, each annual budget shall not exceed the budget for the preceding year by more than the Washington state consumer price index. If operations expenses exceed revenues generated in two consecutive years, the board shall recommend adjustments in either benefits or revenues, or both, to the legislature.

(2) In years when trust revenues exceed expenses including required reserve funding, the board may designate a portion of the excess revenue to fund medical school scholarships for Washington residents. Recipients of such scholarships shall repay the state with one year of public health work in underserved areas of the state for every year supported by a scholarship.

NEW SECTION. **Sec. 9.** (1) The board shall report annual changes in total Washington health care costs, along with the financial position and the status of the trust, to the governor and legislature at least once a year.

(2) The board shall seek audits annually from the state auditor.

(3) The board shall contract with a private organization for an external performance audit every two years.

(4) The board shall submit any internal rules or policies it adopts to the secretary of state. The internal rules or policies must be made available by the secretary of state for public inspection.

NEW SECTION. **Sec. 10.** (1) All residents are eligible for coverage through the trust.

(2) If a resident has health insurance coverage for any health services provided in the state, the benefits provided in this act are secondary to that insurance. Nonresidents are covered for emergency services and emergency transportation only.

(3) Until federal waivers are accomplished, residents covered under federal health programs shall continue to use that coverage, and benefits provided by the trust shall extend only to costs not covered by the federal health programs.

(4) The board shall make provisions for determining eligibility for coverage for residents while they are temporarily out of the state.

(5) Pending integration of federally qualified Taft-Hartley trusts into the health security trust, employees covered under Taft-Hartley trusts are not eligible for coverage through the health security trust unless (a) the employee's salary is considered in calculating the employer's health security assessment defined under section 16 of this act and (b) either the employer or the employee pays the health security premium under section 17 of this act.

(6) Pending integration of federally qualified Taft-Hartley trusts into the health security trust, residents who are retirees covered under Taft-Hartley trusts are not eligible for coverage through the health security trust unless they pay the health security premium under section 17 of this act.

(7) Nothing in this act shall be construed to limit a resident's right to seek health care from any provider he or she chooses, or from obtaining coverage for health care benefits in excess of those available under the trust.

NEW SECTION. Sec. 11. (1) With advice from the citizens' advisory committee and the technical advisory committee, the board shall establish a single benefits package covering health services that are effective and necessary for the good health of residents and that emphasize preventive and primary health care.

(2) The benefits package shall include, but is not limited to: (a) Inpatient and outpatient hospital care, including twenty-four hour a day emergency services and emergency ambulance services; (b) outpatient, home-based, and office-based care; (c) rehabilitation services, including speech, occupational, and physical therapy; (d) inpatient and outpatient mental health services and substance abuse treatment; (e) hospice care; (f) prescription drugs and prescribed medical nutrition; (g) vision and hearing care; (h) diagnostic tests; (i) durable medical equipment; and (j) preventive care.

(3) Subject to a financial analysis demonstrating ongoing sufficient funds in the trust, long-term care shall be a covered

benefit as of May 15, 2003. Long-term care coverage shall include a uniform initial assessment and coordination between home health, adult day care, and nursing home services, and other treatment alternatives. The board shall establish a copayment for long-term nursing home care, to cover some costs of room and board, for residents with incomes above one hundred fifty percent of the federal poverty level. The board, in coordination with the office of the insurance commissioner, shall examine by May 15, 2003, possible remedies for residents who have made previous payments for long-term care insurance.

(4) The board shall establish copayments for outpatient visits, emergency room visits, and prescription drugs for residents with incomes above one hundred fifty percent of the federal poverty level. There shall be an annual cap of five hundred dollars per family.

(5) The board shall submit to the legislature by July 1, 2003, a plan to incorporate dental care coverage in the benefits package, to be effective January 1, 2005.

(6) The board shall submit to the governor and legislature by December 1, 2001, and by December 1st of the following years: (a) The benefits package and (b) an actuarial analysis of the cost of the package.

(7) The board shall consider the extent to which medical research and health professions training activities should be included in the scope of covered activities set forth in this act. The board shall make a report to the governor and the legislature by July 2003.

NEW SECTION. Sec. 12. (1) When consistent with existing federal law, the board shall require pharmaceutical and durable medical equipment manufacturers to provide their products in Washington state at the lowest rate offered to federal and other government entities.

(2) The board may seek other means of financing drugs and durable medical equipment at the lowest possible cost, including bulk purchasing agreements with Washington state tribes.

(3) The board may enact drug formularies that do not interfere with treatments necessary for appropriate standards of care.

NEW SECTION. Sec. 13. (1) The board shall adopt rules permitting providers to collectively negotiate budgets, payment schedules, and other terms and conditions of trust participation.

(2) The board shall annually negotiate with each hospital and each facility a prospective global budget for operational and other costs to be covered by the trust. Group practices may also negotiate on a global budget basis. Hospitals and other facilities shall be paid on a fee-for-service or case rate basis, within the limits of their prospective annual budget.

(3) Payment to individual practitioners shall be by fee-for-service or on a case rate basis. The board shall study the feasibility of paying by capitation to providers, and how resident enrollment would take place under capitation.

(4) Individual practitioners who are employed by a group, facility, clinic, or hospital may be paid by salary.

(5) The board shall adopt rules ensuring that payment schedules and procedures for mental health services are comparable to other health care services.

(6) The board shall study and seek to develop provider payment methods that (a) encourage an integrated multispecialty approach to disease management; (b) reward education time spent with patients; and (c) include a medical risk adjustment formula for providers whose practices serve patients with higher than average health risks.

(7) Nothing in this act shall be construed to limit a provider's right to receive payments from sources other than the trust. However, any provider who does accept payment from the trust for a service must accept that payment, along with applicable copayments, as payment in full.

NEW SECTION. Sec. 14. (1) The intent of this act is to exempt activities approved under the act from state antitrust laws and to provide immunity from federal antitrust laws through the state action doctrine.

(2) Activities that might otherwise be constrained by antitrust laws, including (a) containing the aggregate cost of health care services; (b) promoting cooperative activities among health care providers to develop cost-effective health care delivery systems; and (c) any other lawful actions taken under this act by any person or entity created or regulated by this act, are declared to be pursuant to state statute and for the public purposes of the state of Washington.

1 NEW SECTION. **Sec. 15.** (1) Administrative expenses to operate and
2 maintain the trust shall not exceed eight percent of the trust's annual
3 budget. The board shall not shift administrative costs or duties of
4 the trust to providers or to resident beneficiaries.

5 (2) The board shall work with providers to develop and apply
6 scientifically based utilization standards, to use encounter and
7 prescribing data to detect excessive utilization, to develop due
8 processes for enforcing appropriate utilization standards, and to
9 identify and prosecute fraud.

10 (3) The board may institute other cost-containment measures in
11 order to maintain a balanced budget. The board shall pursue due
12 diligence to ensure that cost-containment measures do not limit access
13 to clinically necessary care, nor infringe upon legitimate clinical
14 decision making by practitioners.

15 NEW SECTION. **Sec. 16.** A new section is added to chapter 82.02 RCW
16 to read as follows:

17 In addition to and not in lieu of taxes imposed at the rates
18 established under chapter 82.04 RCW, all Washington state employers
19 shall pay a health security assessment to the department of revenue to
20 fund the Washington health security trust created in section 3 of this
21 act.

22 (1) Effective May 15, 2002, all employers in Washington state shall
23 pay in quarterly installments a health security assessment, which shall
24 be 9.75 percent of gross annual payroll for employees who are
25 Washington residents. The department of revenue shall assess a penalty
26 at the rate of two percent per month, or a fraction thereof, on any
27 employer whose applicable health security payroll assessment is not
28 postmarked by the last day of the month following the quarter in which
29 it is due.

30 (2) All health security assessments shall be adjusted annually by
31 the office of financial management to reflect changes in the Washington
32 state consumer price index.

33 (3) The federal government, when an employer of Washington state
34 residents, is exempt from the health security assessment prior to the
35 repeal, amendment, or waiver of existing state and federal laws
36 delineated in section 21 of this act.

37 (4) Beginning May 15, 2002, until May 15, 2007, employers that face
38 financial hardship in paying the health security assessment, may, upon

1 application to the board of trustees created in section 4 of this act,
2 be eligible for waivers or reductions in the health security
3 assessment. The board shall establish rules and procedures governing
4 all aspects of the business assistance program, including application
5 procedures, thresholds regarding firm size, wages, profits, age of
6 firm, and duration of assistance.

7 (5) Pending integration of federally qualified Taft-Hartley trusts,
8 payroll of employees covered under these trusts is exempt from the
9 health security assessment, although the employer may pay it
10 voluntarily.

11 (6) Eighty percent of the revenue collected under this section must
12 be deposited in the benefits account created in section 24 of this act.

13 (7) For the purposes of this section, the terms "employer,"
14 "payroll," and "resident" have the same meaning as defined in section
15 2 of this act.

16 NEW SECTION. **Sec. 17.** A new section is added to chapter 82.02 RCW
17 to read as follows:

18 (1) Effective May 15, 2002, all Washington residents eighteen years
19 and older, except medicare beneficiaries, with incomes over one hundred
20 fifty percent of the federal poverty level shall pay a health security
21 premium of seventy-five dollars per month.

22 (2) Medicare beneficiaries with incomes over one hundred fifty
23 percent of the federal poverty level shall pay a health security
24 premium of fifty dollars per month.

25 (3) All premiums shall be adjusted annually by the office of
26 financial management to reflect changes in the Washington state
27 consumer price index.

28 (4) By May 15, 2002, the board of trustees of the Washington health
29 security trust, created in section 4 of this act, shall develop and
30 implement specific rules and procedures to subsidize the health
31 security premiums of residents, including medicare eligible residents,
32 whose household incomes are less than two hundred fifty percent of the
33 federal poverty level.

34 (5) Federal employees and retirees are exempt from the health
35 security premium prior to the repeal, amendment, or waiver of existing
36 federal laws delineated in section 21 of this act.

37 (6) Pending integration of federally qualified Taft-Hartley trusts,
38 employees and retirees covered under these trusts are exempt from the

1 health security premium, although the employer or employee may pay it
2 voluntarily.

3 (7) Employers shall collect the health security premiums of their
4 employees through payroll deduction. An employee may also make the
5 premium payment for a non-working spouse through payroll deduction.
6 Self-employed and non-employed individuals shall pay their health
7 security premiums monthly to the department of revenue. The department
8 shall assess a penalty at the rate of two percent per month, or
9 fraction thereof, on all self-employed and non-employed individuals
10 whose health security premium is not postmarked by the twentieth day
11 following the month it is due. Employers reserve the right either to
12 provide health care coverage to an employee, or to pay the health
13 security premium on an employee's behalf, or both. As an employer, the
14 state of Washington shall pay the health security premium for state
15 employees.

16 (8) Retirees who receive retirement benefits from a former employer
17 or a successor to the employer, other than in Taft-Hartley trusts or
18 through federal employment, may claim a credit against the health
19 security premium otherwise due under this section, if all or a portion
20 of the retirement benefits consists of health care benefits arising
21 from a contract of health insurance entered into between the employer,
22 or successor, and a health insurance provider.

23 (9) For the purposes of this section, the terms "employer,"
24 "federal poverty level," "income," and "resident" have the same meaning
25 as defined in section 2 of this act.

26 NEW SECTION. **Sec. 18.** Revenue derived from the health security
27 assessment, created in section 16 of this act, and the health security
28 premium, created in section 17 of this act, shall not be used to pay
29 for medical assistance currently provided under chapter 74.09 RCW or
30 other existing federal and state health care programs. If existing
31 federal and state sources of payment for health services are reduced or
32 terminated after the effective date of this act, the legislature shall
33 replace these appropriations from the general fund.

34 NEW SECTION. **Sec. 19.** (1) The health care authority is hereby
35 abolished and its powers, duties, and functions are hereby transferred
36 to the Washington health security trust. All references to the
37 administrator or the health care authority in the Revised Code of

1 Washington shall be construed to mean the chair or the Washington
2 health security trust.

3 (2)(a) All reports, documents, surveys, books, records, files,
4 papers, or written material in the possession of the health care
5 authority shall be delivered to the custody of the Washington health
6 security trust. All cabinets, furniture, office equipment, motor
7 vehicles, and other tangible property employed by the health care
8 authority shall be made available to the Washington health security
9 trust. All funds, credits, or other assets held by the health care
10 authority shall be assigned to the Washington health security trust.

11 (b) Any appropriations made to the health care authority shall, on
12 the effective date of this section, be transferred and credited to the
13 Washington health security trust.

14 (c) If any question arises as to the transfer of any personnel,
15 funds, books, documents, records, papers, files, equipment, or other
16 tangible property used or held in the exercise of the powers and the
17 performance of the duties and functions transferred, the director of
18 financial management shall make a determination as to the proper
19 allocation and certify the same to the state agencies concerned.

20 (3) All employees of the health care authority are transferred to
21 the jurisdiction of the Washington health security trust. All
22 employees classified under chapter 41.06 RCW, the state civil service
23 law, are assigned to the Washington health security trust to perform
24 their usual duties upon the same terms as formerly, without any loss of
25 rights, subject to any action that may be appropriate thereafter in
26 accordance with the laws and rules governing state civil service.

27 (4) All rules and all pending business before the health care
28 authority shall be continued and acted upon by the Washington health
29 security trust. All existing contracts and obligations shall remain in
30 full force and shall be performed by the Washington health security
31 trust.

32 (5) The transfer of the powers, duties, functions, and personnel of
33 the health care authority shall not affect the validity of any act
34 performed before the effective date of this section.

35 (6) If apportionments of budgeted funds are required because of the
36 transfers directed by this section, the director of financial
37 management shall certify the apportionments to the agencies affected,
38 the state auditor, and the state treasurer. Each of these shall make

1 the appropriate transfer and adjustments in funds and appropriation
2 accounts and equipment records in accordance with the certification.

3 (7) Nothing contained in this section may be construed to alter any
4 existing collective bargaining unit or the provisions of any existing
5 collective bargaining agreement until the agreement has expired or
6 until the bargaining unit has been modified by action of the personnel
7 board as provided by law.

8 NEW SECTION. **Sec. 20.** Effective January 1, 2002, until April 30,
9 2002, all employers in Washington state shall pay health security
10 assessments that are equivalent to 3.2 percent of gross quarterly
11 payroll. The department of revenue will collect these moneys. Twenty
12 percent of these revenues must be deposited in the reserve account,
13 created in section 22 of this act. Eighty percent of these revenues
14 must be deposited in the benefits account, created in section 24 of
15 this act. Employers who pay this assessment may be eligible for
16 partial or full rebates within two years, if there are sufficient
17 surpluses in the trust.

18 NEW SECTION. **Sec. 21.** (1) The board shall determine the state and
19 federal laws that need to be repealed, amended, or waived to implement
20 this act, and report its recommendations, with proposed revisions to
21 the Revised Code of Washington, to the governor and the appropriate
22 committees of the legislature by October 1, 2001.

23 (2) The governor, in consultation with the board, shall take the
24 following steps in an effort to receive waivers or exemptions from
25 federal statutes necessary to fully implement this act:

26 (a) Negotiate with the federal department of health and human
27 services, health care financing administration, to obtain a statutory
28 or regulatory waiver of provisions of the medical assistance statute,
29 Title XIX of the federal social security act;

30 (b) negotiate with the federal department of health and human
31 services, health care financing administration, to obtain a statutory
32 or regulatory waiver of provisions of the medicare statute, Title XVIII
33 of the federal social security act, that currently constitute barriers
34 to full implementation of this act;

35 (c) negotiate with the federal department of health and human
36 services to obtain any statutory or regulatory waivers of provisions of
37 the United States public health services act necessary to ensure

1 integration of federally funded community and migrant health clinics
2 and other health services funded through the public health services act
3 into the trust system under this act;

4 (d) negotiate with the federal office of personnel management for
5 the inclusion of federal employee health benefits in the trust under
6 this act;

7 (e) negotiate with the federal department of veterans' affairs for
8 the inclusion of veterans' medical benefits in the trust under this
9 act;

10 (f) negotiate with the federal department of defense and other
11 federal agencies for the inclusion of the civilian health and medical
12 program of the uniformed services (CHAMPUS) in the trust under this
13 act;

14 (g) negotiate with the federal public health service, Indian health
15 services, and the Washington association of tribes, for the inclusion
16 of Indian health benefits in the trust under this act; and

17 (h) request that the United States congress amend the internal
18 revenue code to treat the employer health security assessment, created
19 in section 16 of this act, and the individual health security premiums,
20 created in section 17 of this act, as fully deductible from adjusted
21 gross income.

22 NEW SECTION. **Sec. 22.** (1) The reserve account is created in the
23 custody of the state treasurer. The reserve account will accumulate
24 moneys until its value equals ten percent of the total annual budgeted
25 expenditures of the trust and then will be considered fully funded,
26 unless the legislature determines that a different level of reserve is
27 necessary and prudent. Whenever the reserve account is fully funded,
28 additional moneys shall be transferred to the benefits account created
29 in section 24 of this act.

30 (2) Receipts from the following sources must be deposited into the
31 reserve account: (a) Twenty percent of the health security assessments
32 paid by employers under section 20 of this act between January 1, 2002,
33 and April 30, 2002; (b) effective May 15, 2002, seven percent of
34 receipts from the health security assessment created under section 16
35 of this act and seven percent of the receipts from the health security
36 premium created under section 17 of this act; and (c) ten percent of
37 all moneys received pursuant to sections 25, 26, 27, 29, 31, 32, 33,
38 34, and 35 of this act.

(3) Expenditures from the reserve account may be used only for the purposes of health care services and maintenance of the trust. Only the board or the board's designee may authorize expenditures from the account. The account is subject to allotment procedures under chapter 43.88 RCW, but an appropriation is not required for expenditures.

NEW SECTION. **Sec. 23.** (1) The displaced worker training account is created in the custody of the state treasurer. Between May 15, 2002, and January 1, 2004, three percent of the receipts from the health security assessment created under section 16 of this act and three percent of the health security premium created in section 17 of this act must be deposited into the account. Expenditures from the account may be used only for retraining and job placement of workers displaced by the transition to the trust. Only the board or the board's designee may authorize expenditures from the account. The account is subject to allotment procedures under chapter 43.88 RCW, but an appropriation is not required for expenditures.

(2) Any funds remaining in the account on December 31, 2004 must be deposited into the benefits account created in section 24 of this act.

(3) This section expires January 1, 2005.

NEW SECTION. **Sec. 24.** The benefits account is created in the custody of the state treasurer. All receipts from the health security assessment created under section 16 of this act and the health security premium created under section 17 of this act that are not dedicated to the reserve account created under section 22 of this act or the displaced worker training account created under section 23 of this act, as well as receipts from other sources, must be deposited into the account. Expenditures from the account may be used only for health care services and maintenance of the trust. Only the board or the board's designee may authorize expenditures from the account. The account is subject to allotment procedures under chapter 43.88 RCW, but an appropriation is not required for expenditures.

Sec. 25. RCW 41.05.120 and 1994 c 153 s 9 are each amended to read as follows:

~~((1))~~ Contributions from RCW 41.05.050, and reserves, dividends, and refunds currently in the public employees' and retirees' insurance account ~~((is hereby established in the custody of the state treasurer,~~

1 to be used by the administrator for the deposit of contributions, the
2 remittance paid by school districts and educational service districts
3 under RCW 28A.400.400, reserves, dividends, and refunds, and for
4 payment of premiums for employee and retiree insurance benefit
5 contracts and subsidy amounts provided under RCW 41.05.085. Moneys
6 from the account shall be disbursed by the state treasurer by warrants
7 on vouchers duly authorized by the administrator.

8 (2) The state treasurer and the state investment board may invest
9 moneys in the public employees' and retirees' insurance account. All
10 such investments shall be in accordance with RCW 43.84.080 or
11 43.84.150, whichever is applicable. The administrator shall determine
12 whether the state treasurer or the state investment board or both shall
13 invest moneys in the public employees' insurance account)) shall be
14 deposited in the reserve account pursuant to section 22 and the
15 benefits account pursuant to section 24 of this act.

16 **Sec. 26.** RCW 41.05.130 and 1988 c 107 s 11 are each amended to
17 read as follows:

18 The state health care authority administrative account ((is hereby
19 created in the state treasury)) shall be transferred to the reserve
20 account pursuant to section 22 and the benefits account pursuant to
21 section 24 of this act. Moneys in the account, including unanticipated
22 revenues under RCW 43.79.270, ((may be spent only after appropriation
23 by statute, and may be used only for operating expenses of the
24 authority)) are transferred to the reserve account pursuant to section
25 22 and the benefits account pursuant to section 24 of this act.

26 **Sec. 27.** RCW 66.24.290 and 1999 c 281 s 14 are each amended to
27 read as follows:

28 (1) Any microbrewer or domestic brewery or beer distributor
29 licensed under this title may sell and deliver beer to holders of
30 authorized licenses direct, but to no other person, other than the
31 *[liquor control]* board; and every such brewery or beer distributor
32 shall report all sales to the *[liquor control]* board monthly, pursuant
33 to the regulations, and shall pay to the *[liquor control]* board as an
34 added tax for the privilege of manufacturing and selling the beer
35 within the state a tax of one dollar and thirty cents per barrel of
36 thirty-one gallons on sales to licensees within the state and on sales
37 to licensees within the state of bottled and canned beer shall pay a

1 tax computed in gallons at the rate of one dollar and thirty cents per
2 barrel of thirty-one gallons.

3 (3)(a) An additional tax is imposed on all beer subject to tax
4 under subsection (1) of this section. The additional tax is equal to
5 ninety-six cents per barrel of thirty-one gallons through June 30,
6 1995, two dollars and thirty-nine cents per barrel of thirty-one
7 gallons for the period July 1, 1995, through June 30, 1997, and four
8 dollars and seventy-eight cents per barrel of thirty-one gallons
9 thereafter.

10 (b) The additional tax imposed under this subsection does not apply
11 to the sale of the first sixty thousand barrels of beer each year by
12 breweries that are entitled to a reduced rate of tax under 26 U.S.C.
13 Sec. 5051, as existing on July 1, 1993, or such subsequent date as may
14 be provided by the *[liquor control]* board by rule consistent with the
15 purposes of this exemption.

16 (c) All revenues collected from the additional tax imposed under
17 this subsection (3) shall be deposited in the ((~~health services~~))
18 reserve account pursuant to sections 22 and the benefits account under
19 ((~~RCW 43.72.900~~)) section 24 of this act.

20 **Sec. 28.** RCW 82.04.260 (Tax on manufacturers and processors of
21 various foods and by-products--Research and development organizations--
22 Nuclear fuel assemblies--Travel agents--Certain international
23 activities--Stevedoring and associated activities--Low-level waste
24 disposers--Insurance agents, brokers, and solicitors--Hospitals) and
25 1998 c 312 s 5 & 1998 c 311 s 2 are each repealed.

26 **Sec. 29.** RCW 82.24.020 and 1994 sp.s. c 7 s are each amended to
27 read as follows:

28 (3) An additional tax is imposed upon the sale, use, consumption,
29 handling, possession, or distribution of all cigarettes, in an amount
30 equal to the rate of ten mills per cigarette through June 30, 1994,
31 eleven and one-fourth mills per cigarette for the period July 1, 1994,
32 through June 30, 1995, twenty mills per cigarette for the period July
33 1, 1995, through June 30, 1996, and twenty and one-half mills per
34 cigarette thereafter. All revenues collected during any month from
35 this additional tax shall be deposited in the ((~~health services~~))
36 reserve account pursuant to section 22 and the benefits account created

1 under ((RCW 43.72.900)) section 24 of this act by the twenty-fifth day
2 of the following month.

3 **Sec. 30.** RCW 48.14.0201 (Premiums and prepayments tax--Health care
4 services--State preemption) and 1998 c 323 s 1, 1997 c 154 s 1, 1993
5 sp.s. c 25 s 601, & 1993 c 492 s 301 are each repealed.

6 **Sec. 31.** RCW 82.26.020 and 1993 c 492 s 309 are each amended to
7 read as follows:

8 (4) An additional tax is imposed equal to ten percent of the
9 wholesale sales price of tobacco products. The moneys collected under
10 this subsection shall be deposited in the ((health services)) reserve
11 account pursuant to section 22 and the benefits account created under
12 ((RCW 43.72.900)) section 24 of this act.

13 **Sec. 32.** RCW 82.08.150 and 1998 c 126 s 16 are each amended to
14 read as follows:

15 (6)(a) An additional tax is imposed upon retail sale of spirits in
16 the original package at the rate of one and seven-tenths percent of the
17 selling price through June 30, 1995, two and six-tenths percent of the
18 selling price for the period July 1, 1995, through June 30, 1997, and
19 three and four-tenths of the selling price thereafter. This additional
20 tax applies to all such sales including sales by Washington state
21 liquor stores and agencies, but excluding sales to spirits, beer, and
22 wine restaurant licensees.

23 (b) An additional tax is imposed upon retail sale of spirits in the
24 original package at the rate of one and one-tenth percent of the
25 selling price through June 30, 1995, one and seven-tenths percent of
26 the selling price for the period July 1, 1995, through June 30, 1997,
27 and two and three-tenths [percent] of the selling price thereafter.
28 This additional tax applies to all such sales to spirits, beer, and
29 wine restaurant licensees.

30 (c) An additional tax is imposed upon each retail sale of spirits
31 in the original package at the rate of twenty cents per liter through
32 June 30, 1995, thirty cents per liter for the period July 1, 1995,
33 through June 30, 1997, and forty-one cents per liter thereafter. This
34 additional tax applies to all such sales including sales by Washington
35 state liquor stores and agencies, and including sales to spirits, beer,
36 and wine restaurant licensees.

(d) All revenues collected during any month from additional taxes under this subsection shall be deposited in the ~~((health services))~~ reserve account pursuant to section 22 and the benefits account created under ((RCW 43.72.900)) section 24 of this act by the twenty-fifth day of the following month.

Sec. 33. RCW 43.79.480 and 1999 c 309 s 927 are each amended to read as follows:

(1) Moneys received by the state of Washington in accordance with the settlement of the state's legal action against tobacco product manufacturers, exclusive of costs and attorneys' fees, shall be deposited in the tobacco settlement account created in this section.

(2) The tobacco settlement account is created in the state treasury. Moneys in the tobacco settlement account may only be transferred to the ~~((health services))~~ reserve account pursuant to section 22 and the benefits account ((for the purposes set forth in RCW 43.72.900)) pursuant to section 24 of this act, and to the tobacco prevention and control account for purposes set forth in this section.

(3) The tobacco prevention and control account is created in the state treasury. The source of revenue for this account is moneys transferred to the account from the tobacco settlement account, investment earnings, donations to the account, and other revenues as directed by law. Expenditures from the account are subject to appropriation.

(4) The state treasurer shall transfer one hundred million dollars from the tobacco settlement account to the tobacco prevention and control account upon authorization of the director of financial management. The director shall authorize transfer of the total amount by June 30, 2001.

Sec. 34. RCW 41.05.220 and 1998 c 245 s 38 are each amended to read as follows:

(1) State general funds appropriated to the department of health for the purposes of funding community health centers to provide primary health and dental care services, migrant health services, and maternity health care services shall be transferred to the ~~((state health care authority))~~ reserve account pursuant to section 22 and the benefits account pursuant to section 24 of this act. Any related administrative funds expended by the department of health for this purpose shall also

1 be transferred to the ((health care authority)) reserve account
2 pursuant to section 22 and the benefits account pursuant to section 24
3 of this act. The health ((care authority)) security trust shall
4 exclusively expend these funds through contracts with community health
5 centers to provide primary health and dental care services, migrant
6 health services, and maternity health care services. The
7 ((administrator)) chair of the health ((care authority)) security trust
8 shall establish requirements necessary to assure community health
9 centers provide quality health care services that are appropriate and
10 effective and are delivered in a cost-efficient manner. The
11 ((administrator)) chair shall further assure that community health
12 centers have appropriate referral arrangements for acute care and
13 medical specialty services not provided by the community health
14 centers.

15 NEW SECTION. Sec. 35. Following the repeal, amendment, or waiver
16 of existing state and federal laws delineated in section 21 of this
17 act, all other revenues currently deposited to the health services
18 account for personal health care services shall be deposited to the
19 reserve account pursuant to section 22 and the benefits account
20 pursuant to section 24 of this act.

21 NEW SECTION. Sec. 36. Nothing in this act shall be construed to
22 limit an employer's right to maintain employee benefit plans under the
23 federal employee retirement income security act of 1974.

24 NEW SECTION. Sec. 37. No later than January 1, 2002, the board
25 shall submit to the legislature a proposal to integrate those current
26 and future federally qualified Taft-Hartley trusts that choose to
27 participate into the trust. Employers shall receive credit against
28 their health security assessment obligation for any currently
29 enforceable contracts for employee health benefits.

30 NEW SECTION. Sec. 38. On or before January 1, 2003, the board, in
31 coordination with the department of labor and industries, shall study
32 and make a report to the governor and appropriate committees of the
33 legislature on the provision of medical benefits for injured workers
34 under the trust.

1 NEW SECTION. **Sec. 39.** (A) The sum of seven million dollars, or as
2 much thereof as may be necessary, is appropriated as a supplemental
3 appropriation for the fiscal year ending June 30, 2001 from the general
4 fund to the benefits account of the Washington health security trust
5 for start-up moneys for purposes of this act during the period of March
6 15, 2001 through June 30, 2001.

7 (B) The sum of forty-three million dollars, or as much thereof as
8 may be necessary, is appropriated for the fiscal year ending June 30,
9 2002 from the general fund to the benefits account of the Washington
10 health security trust for start-up moneys for purposes of this act
11 during the period of July 1, 2001 through June 30, 2002.

12 NEW SECTION. **Sec. 40.** RCW 43.72.900 (Health services account) and
13 1993 c 492 s 469 are each repealed.

14 NEW SECTION. **Sec. 41.** Sections 1 through 15, 18, 19, 21 through
15 24, and 35 through 37 of this act constitute a new chapter in Title 43
16 RCW.

17 NEW SECTION. **Sec. 42.** (1) Sections 22 and 23 of this act take
18 effect March 15, 2001.

19 (2) Section 24 of this act takes effect May 15, 2001.

20 (3) Sections 19, 25 through 34, and 40 of this act take effect May
21 15, 2002.

22 NEW SECTION. **Sec. 43.** If any provision of this act or its
23 application to any person or circumstance is held invalid, the
24 remainder of the act or the application of the provision to other
25 persons or circumstances is not affected.

26 NEW SECTION. **Sec. 44.** If any part of this act is found to be in
27 conflict with federal requirements that are a prescribed condition to
28 the allocation of federal funds to the state, the conflicting part of
29 this act is inoperative solely to the extent of the conflict and with
30 respect to the agencies directly affected, and this finding does not
31 affect the operation of the remainder of this act in its application to
32 the agencies concerned. Rules adopted under this act must meet federal

1 requirements that are a necessary condition to the receipt of federal
2 funds by the state.

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